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# **Influence of the introduction of “the Draft Budget Automatic Introduction System” on the budget deliberation of the National Assembly**

**“예산안의 본회의 자동부의제”의  
도입이 국회예산심사에 미친 영향**

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## **Abstract**

# **Influence of the introduction of “the Draft Budget Automatic Introduction System” on the budget deliberation of the National Assembly**

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National Assembly Act was revised in 2012 (So-called “National Assembly Advancement Act”) to prevent physical conflict and encourage cooperation and compromise between political parties. One of the critical points in the revision related to the budget deliberation of the National Assembly was article 85-3 which introduced “the draft budget automatic introduction system (BAIS)”. Prior to the implementation of BAIS (before 2014), the comprehensive deliberations of the Special Committee on Budget and Accounts often continued to the end of the year, which violated article 54-2 of Korean Constitution requiring the National Assembly to finish the budget deliberation by December 2. To deal with the problem of breaching Constitution, BAIS of the National Assembly Act makes the draft budget refer to the plenary session automatically on December 1 unless the Special Committee on

Budget and Accounts finishes the budget deliberation by November 30.

Introduction of BAIS has been expected to weaken the power of the National Assembly related to budget deliberation by reducing the bargaining power of the opposition party. Since 2014 BAIS is predicted to allay concern about the provisional budget thanks to BAIS which can break the impasse over the draft budget in the Special Committee on Budget and Accounts, and consequently gives an advantage to the government and ruling party in the negotiation on budget deliberation.

Based on the empirical data such as the deliberation reports produced by the Special Committee on the Budget and Accounts, and the budget amendment in the plenary session, this study examined how the implementation of BAIS changed the power of the National Assembly to revise the draft budget and the patterns related to the practice of budget deliberations including the timing of budget passage, the fidelity of the budget deliberation, and the function of the Special Committee on Budget and Accounts.

First, this research collected and analyzed each year's budget deliberation data from 2009 to 2018. This research tried to find the common patterns of budget deliberations from 2009 to 2013 (before the implementation of BAIS) and those of budget deliberations from 2014 to 2018 (on and after BAIS). Lastly, this research analyzed how and why common patterns of the budget deliberations from 2014 to 2018 changed after the implementation of BAIS, by comparing them with those from 2009 to 2013.

According to the results of this research, although the BAIS has advanced the passage of the draft budget, it is still unable to make the National Assembly to meet the legal deadline. Furthermore, if the deadlock is sustained after the draft budget is introduced to the plenary session, the budget passage may be delayed again to the end of the year as in the past. Thus, the positive effect of the introduction of BAIS is very limited, while its side effects seem to be significant.

In the case that the ruling party can secure a majority of seats

as in 2014 and 2015, the budget deliberation authority of the National Assembly and its function to check the executive branch in terms of the public finance had been weakened as the incentive of the ruling party to respect the opposite party's opinions had been reduced. When the ruling party failed to hold a majority of seats, as in 2016, 2017 and 2018, BAIS did not seem to have much impact on the budget deliberation authority of the National Assembly, but it caused some side effects that have hampered the transparency and rationality of the budget deliberation as it incapacitated the function of the Special Committee on Budget and Accounts and made the draft budget to be determined through informal and closed-door negotiations.

**Keyword** : Automatic Introduction, Budget Deliberation, New Institutionalism

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# Table of Contents

<b>Chapter 1. Introduction.....</b>	<b>1</b>
1.1. The purpose of research.....	1
1.2. The budget deliberation process of the National Assembly .....	3
1.2.1. Submission of the draft budget to the National Assembly.....	3
1.2.2. Budget deliberation of the National Assembly. ....	4
1.2.2.1. Administrative Policy Speech and the Preliminary Review of the Standing Committee .....	4
1.2.2.2. Comprehensive Deliberation of the Special Committee on Budget and Accounts.....	5
1.2.2.3. Plenary Session Vote .....	6
1.3. Background of Revision of the National Assembly Act and Introduction of BAIS in 2012.....	7
 <b>Chapter 2. A Discussion of Theory and Precedent Study Review .....</b>	 <b>1 0</b>
2.1. Discussion of theory of the budget process of the National Assembly .....	1 0
2.1.1. Budget process and the common pool resource problem .....	1 0
2.1.2. Discussion and precedent study of the budget deliberation of the National Assembly.....	1 1
2.2. New institutionalism and institutional change .....	1 4
2.2.1. Overview of new institutionalism .....	1 5
2.2.2. Cause and effect of institutional change .....	1 7
2.2.3. New institutionalism and the introduction of BAIS .....	1 8
2.2.4. Precedent studies on the impact of changes in the budget institutions of the National Assembly and the introduction of BAIS .....	2 0
2.2.4.1. Introduction of precedent studies.....	2 0
2.2.4.2. Differentiation from precedent studies .....	2 2
 <b>Chapter 3. Research design and Research Method .....</b>	 <b>2 4</b>
3.1. Research Questions .....	2 4
3.2. Methods .....	2 7
3.2.1. Measuring results of institutional change .....	2 7
3.2.1.1. The change in the authority of the National Assembly to revise the draft budget .....	2 7
3.2.1.2. Change in the passage date of the draft budget in the plenary session .....	3 1
3.2.1.3. The period of the budget deliberation and the number of meetings for the budget deliberation .....	3 1

3.2.1.4. Whether the budget decision power of the Special Committee on Budget and Accounts was incapacitated.....	3 2
3.2.2. Collecting Data .....	3 4
3.2.3. Procedure of Analysis .....	3 5
3.2.4. Strengths and weaknesses of Analysis.....	3 6
<b>Chapter 4. Result of the research.....</b>	<b>3 8</b>
4.1. The change in the authority of the National Assembly to revise the draft budget.....	3 8
4.2. Change in the passage date of the draft budget in the plenary session .....	4 1
4.3. The period of the budget deliberation and the number of meetings for the budget deliberation .....	4 3
4.4. Whether the budget decision power of the Special Committee on Budget and Accounts was incapacitated.....	4 6
<b>Chapter 5. Concluding Remarks.....</b>	<b>4 8</b>
<b>Bibliography .....</b>	<b>5 0</b>



## **List of Tables**

[Table 1–1] .....	4
[Table 3–1] .....	30
[Table 4–1] .....	39
[Table 4–2] .....	42
[Table 4–3] .....	44
[Table 4–4] .....	46

## **List of Figures**

[Figure 3–1] .....	34
[Figure 3–2] .....	36
[Figure 4–1] .....	39
[Figure 4–2] .....	42
[Figure 4–3] .....	44
[Figure 4–4] .....	45



# Chapter 1. Introduction

## 1.1. The purpose of research

The National Assembly Act was revised in 2012 (So-called “National Assembly Advancement Act”) to prevent physical conflict and encourage cooperation and compromise between political parties. One of the critical points in the revision related to the budget deliberation of the National Assembly was article 85–3 which introduced “the draft budget automatic introduction system” (BAIS). BAIS requires the draft budget<sup>1</sup> to refer to the plenary session<sup>2</sup> automatically on December 1st, unless the Special Committee on Budget and Accounts<sup>3</sup> finishes the budget deliberation by November 30.

Until recently, there have been several articles that discussed the influence of BAIS on the budget deliberation, but few studies have empirically analyzed influence of the introduction of BAIS on the budget deliberation at this point in time. Five years after the implementation of the system<sup>4</sup>, now is an appropriate time to comprehensively analyze the influence of BAIS based on empirical data. This study aims to empirically and comprehensively analyze the impact of the introduction of BAIS, a significant institutional change in the budget deliberation process, on the budget deliberations of the National Assembly. Based on the empirical data such as the deliberation reports produced by the Special Committee

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<sup>1</sup> The draft budget means the budget proposal submitted by the government to the National Assembly but not approved by the National Assembly

<sup>2</sup> The plenary session means the meeting in which all members of the National Assembly participate to finally review legislative bills and the draft budget and to make the final decision of the National Assembly.

<sup>3</sup> The Special Committee on the Budget and Accounts, which conducts the comprehensive deliberation on the entire draft budget, is considered as the most important institution in the budget deliberation process because the total amount of the budget and the details of revisions to the draft budget are mainly determined in the comprehensive deliberation.

<sup>4</sup> According to the supplementary provision of the revised National Assembly Act in 2012, BAIS was implemented on May 30, 2014.

on the Budget and Accounts, and the budget amendment in the plenary session, this study would examine how the implementation of BAIS changed the power of the National Assembly to revise the draft budget and the patterns related to the practice of budget deliberations.

To outline the procedure of analysis, this research would collect and analyze each year's budget deliberation data from 2009 to 2018 and, find the common patterns of budget deliberations from 2009 to 2013 (before the implementation of BAIS) and those of budget deliberations from 2014 to 2018 (on and after BAIS). Then, this research would analyze how and why common patterns of the budget deliberations from 2014 to 2018 change after the implementation of BAIS by comparing them with those from 2009 to 2013.

The changes of the patterns of the budget deliberation would be analyzed in four aspects as follows. First, this research would trace the change of the Total Revision Rate (TRR) of Total Spending, which means the ratio of the absolute figure of the sum of reduced and increased amounts in the budget deliberation to the draft budget, to measure the change in the authority of the National Assembly to revise the draft budget. Second, this research would use "Passage Gap", calculated by subtracting the legal dead line from the date when the draft budget was actually passed, to measure the degree of hastening the passage of the draft budget. Third, this research would measure the fidelity of the budget deliberation through the period and the number of meetings of the comprehensive deliberation of the Special Committee on Budget and Accounts. Lastly, this research would judge whether BAIS incapacitated the function of the Special Committee on Budget and Accounts based on whether the draft budget was automatically referred to the plenary session, not decided in the Special Committee on Budget and Accounts.

## 1.2. The budget deliberation process of the National Assembly

### 1.2.1. Submission of the draft budget to the National Assembly

The government develops budgets and fund management plans for each fiscal year<sup>5</sup>. They are sent to the National Assembly by October 2, 90 days before the commencement of the next fiscal year, with the approval of the president after the Cabinet meeting. Total and net revenue and expenditure budget tables, project descriptions, Treasury debt commitments, performance plans for each department and gender-sensitive budget tables are included as supplementary documents to the draft budget. Fund management plans include fund-raising plans, estimated balance sheets and income statements, gross and net revenue and expenditure plans, performance plans, and gender-sensitive budget.

Along with the budget, National Fiscal Management plan from the current fiscal year to 5 fiscal years is developed and submitted to the National Assembly. The draft National Financial Management Plan consists of the basic goals and direction of financial management, mid and long-term financial projections, sectoral resource allocation plans, and tax burden level. The National Finance Act, revised in April 2013, requires the draft budget to be submitted 90 days prior to the fiscal year in 2013, 100 days prior to the fiscal year in 2014, 110 days prior to the fiscal year in 2015, and 120 days prior to the fiscal year in 2016.

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<sup>5</sup> The fiscal year of the government is from January 1<sup>st</sup> to December 31.

<Table 1-1> Changes in date of Submission of the draft budget Draft

2013	2014	2015	2016~
October 2 (90 days before the fiscal year)	September 23 (100 days before the fiscal year)	September 13 (110days before the fiscal year)	September 3 (120 days before the fiscal year)

## 1.2.2. Budget deliberation of the National Assembly.

The National Assembly should finish the budget deliberation 30 days prior to the beginning of the new fiscal year (January 1). The budget deliberation of the National Assembly consists of three steps:

1. Preliminary deliberation of the Standing Committee
2. Comprehensive deliberation of the Special Committee on Budget and Accounts
3. Plenary session vote.

Among the three steps, the comprehensive deliberation of the Special Committee on the Budget and Accounts is considered as the most important part because the total amount of the budget and the details of revisions to the draft budget are mainly determined in this phase (Kim, Nan-young & Kim Sang-hun, 2007).

### 1.2.2.1. Administrative Policy Speech and the Preliminary Review of the Standing Committee

At the plenary session, the president delivers an administrative policy speech related to the draft budget to the National Assembly. An administrative policy speech includes the main points and directions of the next year's draft budget, the overall government philosophy, and national development strategy.

In the preliminary deliberations of the standing committee, each

minister proposes and explains the draft budget under his/her jurisdiction. Then, expert members of the National Assembly conduct briefing sessions. During this briefing session, expert members inform the rest of the committee of the summary of the draft budget, key issues, independent opinions on budget cuts, and comments on the budget. Then, the interpellation process and budget evaluation follow. Evaluations are usually conducted by subcommittees and results are confirmed by the general meeting of the standing committee. Since each standing committee has a jurisdiction in some specific ministries, it is likely to reflect specific interests in the budget deliberation process rather than public interest of the whole country. This makes the standing committee to have a tendency to increase the budget rather than decrease it.

#### **1.2.2.2. Comprehensive Deliberation of the Special Committee on Budget and Accounts**

The draft budget passed by each standing committee goes through a comprehensive deliberation of the Special Committee on Budget and Accounts. The special committee was a temporary organization by 1999, but Since 2000, it has become a permanent special committee composed of 50 members. While the term of members of the standing committee is two years, the term of members of the Special Committee on Budget and Accounts is one year.

The Special Committee on Budget and Accounts is becoming a key organization in the budget deliberation process. Preliminary deliberation of standing committees is a preparatory stage prior to a comprehensive deliberation, but the comprehensive deliberation of the Special Committee on Budget and Accounts is not bound by the results of the preliminary deliberation. To make up for this, the National Assembly Act requires the Special Committee on Budget and Accounts to generally respect the results of its preliminary deliberation of the standing committee and obtain approval from the standing committee when it cancels budget cuts in the preliminary

deliberation or makes new budget item.

On the first day of comprehensive deliberation of the Special Committee on Budget and Accounts, the Minister of Strategy and Finance explains the background and emphasis of the budget, the direction of allocation of funds, and the overall structure of the budget. Subsequently, the expert member of the committee presents his/her own view including the summary of the draft budget, key issues, independent opinions on budget cuts, and comments on the budget. Next, the comprehensive policy questioning session is held with all ministers and executives. After the comprehensive policy questioning session is completed, the departmental evaluation is conducted for a more detailed examination. The departmental evaluation is divided into the examination on economic ministries and the examination on non-economic ministries.

On the last day of the committee's meeting, the committee forms the budget adjustment subcommittee consisting of about ten members to adjust the budget figures. The subcommittees adjust the budget by considering the results of preliminary deliberation, the comprehensive policy questioning session, and the departmental evaluation. The adjusted budget by the subcommittee is confirmed in the general meeting of the Special Committee on Budget and Accounts.

### **1.2.2.3. Plenary Session Vote**

The draft budget, passed in the Special Committee on Budget and Accounts, is introduced to the plenary session and confirmed as the budget for the next fiscal year through the discussion and vote. Article 57 of the Constitution prohibits the National Assembly from increasing budget or making new budget items without the consent of the government. In addition, the Constitution requires the draft budget to be determined by December 2<sup>nd</sup>, thirty days before the commencement of the next fiscal year. If the budget is not finalized before the commencement of the fiscal year, the provisional budget



is drawn up. the provisional budget only allows the government to spend on the maintenance and operation of the institutions and facilities established by laws, or the performance of expenditure duties by laws (article 54–3 of the Constitution).

### **1.3. Background of Revision of the National Assembly Act and Introduction of BAIS in 2012**

By the 18th National Assembly (from 2008 to 2012), the National Assembly Act had enabled the majority party to handle the bill and the draft budget unilaterally, despite the opposition from other parties. When the bills or the draft budget were in gridlock in the Standing Committee or the Special Committee on Budget and Accounts, the Speaker of the National Assembly from the majority party<sup>6</sup> could directly introduce them to the plenary session, which enabled the majority party to pass them single-handed.

The minority party which lacked legitimate means to deter the majority party from passing bills and the draft budget unilaterally, often used the physical force including occupying the plenary chamber. There was intensive violence between the ruling party members who attempted to enter the plenary chamber and the opposition party members who blocked them, which made the media give a nickname “the Animal National Assembly”. In particular, the violence in the 2010 budget deliberation made each party to accuse the other party and caused a serious deterioration of public confidence in the National Assembly.

From the reflection on the violence, the National Assembly passed the revised National Assembly Act on May 2012 to prevent the recurrence of violence in the National Assembly and promote cooperation between parties. The revised act provided minority parties with legitimate means to delay a law-making process, including introduction of the supermajority of three-fifths and the

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<sup>6</sup> According to the National Assembly Act, the Speaker of the National Assembly is elected by the majority of the members of the National Assembly.

filibuster. At the same time, it adopted BAIS favorable to the majority party in order to balance with the establishment of delay measures for the minority.

Prior to the implementation of BAIS(before 2014), the ruling party <sup>7</sup> and the opposition party usually conflict in “the comprehensive deliberation” of the Special Committee on Budget and Accounts since the extent and details of changes to the budget are decided in this phase(Kim, Nan-young & Kim Sang-hun, 2007). As a result, the comprehensive deliberations often continued to the end of the year, which violated article 54-2 of the Korean Constitution, requiring the National Assembly to finish the budget deliberations by December 2nd.

Because the president of Korea has a powerful influence on the ruling party, and political parties in Korea have a strong discipline for their members of the National Assembly (Kang Won-taek, 2001; Kwak Jin-young, 2003; Lee Jun-han, 2004; Jung Jin-min, 2008; Jung Jin-wung, 2018), the president would control the ruling party in order to efficiently implement policies of the executive branch. The ruling party, which is under the influence of the president and can reflect its budget demand in the draft budget of the government, tries to minimize the revisions to the draft budget in the budget deliberation process. On the other hand, the opposition party which want to frustrate the president’s agenda and to use the budget deliberation as a tool for negotiation, struggles to revise the draft budget as much as possible. The conflicting interests between parties which have strong discipline, and the strong influence of the president on the ruling party make it difficult to form moderates in each party that can promote compromise, which leads to an extreme conflict in the comprehensive deliberation and the violation of the constitutional deadline (Kim Yong-man, 2012; Jung Jin-wung, 2018).

When budget deliberation of the Special Committee on Budget

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<sup>7</sup> The ruling party means the party to which the president belongs. Therefore, the ruling party may not have a majority in the National Assembly

and Accounts was in gridlock till the end of the year, the government and ruling party could not help making concessions to the opposition party, because they wanted to avoid the situation where “the provisional budget” is drawn up. It is drawn up when the budget is not decided before the commencement of the fiscal year (January 1st), and only allows the government to spend on the maintenance and operation of the institutions and facilities established by laws, or the performance of expenditure duties by laws (article 54-3 of the Constitution). On the other hand, since 2014, BAIS is predicted to allay concern about the provisional budget. BAIS breaks the impasse over the draft budget in the Special Committee on Budget and Accounts, and consequently gives an advantage to the government and ruling party in the negotiation on budget deliberation.

To sum up, the revised National Assembly Act in 2012 gave the minority party the right to delay the legislative deliberation in order to prevent physical conflicts, while giving the majority the way to handle the budget swiftly. Thus, it enabled the majority to make a compromise with the minority by using its advantageous position on the budget even though the minority intensively opposes to the specific bills that the majority desires to pass.

## **Chapter 2. A Discussion of Theory and Precedent Study Review**

### **2.1. Discussion of theory of the budget process of the National Assembly**

#### **2.1.1. Budget process and the common pool resource problem**

Budget has a characteristic that payers, beneficiaries, and decision makers are all different (Kang, Hye-won & Ha, Yeon-seob, 2016). While interest groups actively participate in the budgeting process to pursue their special interests or contain potential costs, taxpayers are “rationally ignorant” to the budget process because the costs of acquiring information and taking action to oppose government spending in favor of special interests outweigh those they actually pay (Downs, 1960). Politicians seeking reelection respond to the interests of constituents or influential interest groups. Thus, there is always the possibility of “cliental politics” and “entrepreneurial politics” (Wilson, 1974).

Many scholars have identified this problem in the budget process as "the common pool resource problem". This is because the budget has properties of common goods characterized by rivalness and non-excludability in terms of consumption. Common goods have many users and finite resources, and are likely to be depleted from overuse (Schick, 2002). Because of rivalness, consuming the limited resources as much as possible is the best strategy to maximize one's profits. If all individuals do in this way, the common goods will eventually be depleted and no one will be able to use it. Thus, the tragedy of the commons is a kind of collective dilemma in which the pursuit of self-interest does not guarantee the maximization of collective interest (Kang, Hye-won., Ha, Yeon-seob. 2016).

Weingast, Shepsle & Johnsen (1981) provided a theoretical framework for the common pool resource problem caused by

politicians in parliamentary budget process. Their theory is characterized by “1/n law”. Assuming that a government spending program provides benefits only to a particular constituency, the cost of the spending program is shared by all constituencies (n). In other words, the constituency can enjoy all the benefits while paying 1/n of supply costs. This means that politicians, decision-makers in the budget process, do not internalize the total cost of expenditures, which brings about the pro-spending bias of politicians during the budget deliberation process.

### **2.1.2. Discussion and precedent study of the budget deliberation of the National Assembly**

The budget deliberation, the fundamental function of the National Assembly which represent the people as a taxpayer, promotes the check-and-balance between legislative and executive branches, and contributes to the realization of the fiscal democracy in the modern state where the executive power is oversized (Park, Myeong-ho, 2011). Article 54 (1) of the Constitution clarify that the National Assembly has the right to make the final decision on the national finance by stipulating that “the National Assembly deliberates and determines the national budget”.

However, it may not be appropriate to recognize the budget deliberation process as a confrontation between the government and the National Assembly. The dichotomous paradigm between legislative and executive branches excludes the role of political parties, the central mechanism in modern representative politics, and makes it difficult to explain the actual relationship between the administration and the parliament (King, 1990). King(1990) categorized various forms of relations between the parliament and the executive. King pointed that the intraparty mode(cabinet vs. members of the ruling party), the interparty mode(cabinet vs. the opposition party), and the non-party mode(cabinet vs. parliament) appeared in the United Kingdom and France. He added that

interparty mode and cross-party mode were found in Germany due to its coalition government.

Korea's parliamentary-administrative relationship can be interpreted as a partisan parliamentary-administrative relationship in which the National Assembly is divided into ruling and opposition parties, and the ruling party teams up with the president while the opposition party conflicts with them (Shin, Myeong-soon, 1993; Park, Chan-pyo, 2002). The ruling party does not check the president as a member of the legislative branch, but rather actively supports him. Whereas the opposition party consistently opposes to the president, which often exceeds the level of the reasonable check on him. The Korean parliamentary-administrative relationship can be understood more realistically when the medium of parties is inserted between the National Assembly and the administration (Park, Myeong-ho, 2011).

If the budget deliberation process of the National Assembly is understood from this perspective, the ruling party has the incentive to minimize revision to the draft budget approved by the president while the opposition party tries to expand the amount of budget revisions. Thus, the revisions to the budget are led by the opposition party. If the power of the budget deliberation of the National Assembly is measured by the scale of the budget revisions, the power depends on the relative influence and bargaining power of the opposition party to the government and the ruling party.

Many precedent studies evaluated that the power of the National Assembly on the budget deliberation was not strong. Jang, Moon-sun & Yoon, Sung-sik (2002) pointed out that the average revision rate of the National Assembly to the draft budget was only 0.4%. Kim, Sang-hun, Lee, Gi-young (2001) argued that the budget deliberation of the National Assembly had been conducted perfunctorily, quoting that the average net revision rate to the draft budget was only 0.49% and the average total revision rate was 1.8% from 1982 to 2010. One of the primary source constraining the power of the National Assembly on the budget deliberation is the government's right to consent to the budget increase (Choo,

Yong-shik & Lee, Seung-hyun 2017). Article 57 of the Constitution prohibits the National Assembly from increasing an existing budget item or from creating a new budget item without the consent of the government. Consequently, the extent of budget revisions is limited by the extent of the government's consent.

Looking at precedent studies on factors affecting the budget deliberation of the National Assembly, Kim Sung-cheol, Jang Seok-young, & Kang Yeo-jin (2000) analyzed 75 editorials of two newspapers related to budget deliberations from 1990 to 1998. This study found that various factors affected the budget deliberation in order of the lawmakers' behaviors, institutional factors, temporal factors, professionalism, and the control of the administration.

Kim In-cheol, Kang Moon-hee, & Kim Doo-hyun (2002) compared the reduction rate, increase rate, and total revision rate of the draft budget from 1965 to 2000. As a result of the study, the larger the scale of budget and the increase of the standing committees compared to the previous year, the greater the tendency of the National Assembly to revise the draft budget. According to this study, the more cautious behavior toward the budget revisions was found when the lawmakers, who were professional and free from interests, actively communicated with the administration. As the proportion of ruling and opposition parties was similar, or political tension between them increased, the reduction rate and increase rate largely changed.

Jang Moon-sun, Yoon Sung-sik (2002) analyzed the general account and special account reviewed by the Special Committee on Budget and Accounts for 25 years from 1972 to 1998(excluding 1973 and 1981) to figure out the factors influencing the budget deliberation. The result of this study showed that only the ratio of ruling party members (-) was significant, which implied the excessive political motivation of Korea's budget deliberation.

Park, Gyeong-don (2009) analyzed stenographic records of Finance and Economy Committee and Health and Welfare Committee of the 17th National Assembly to find out the factors

that influence the budget deliberation. In the case of Finance and Economy Committee, more discussions related to conflict, internal harmony, voting procedures, and deliberations had a negative impact on the passage of the budget, whereas as the more active this discussion, the more positive the impact on the budget-related decisions in Health and Welfare Committee. These findings suggest that the factors affecting the budget deliberation may differ depending on the characteristic of the committee.

Seo, In-seok,. Lee, Dong-gyu,. Park, Hyeong-jun (2010) analyzed stenographic records of the standing committee which deliberated the water resources project in the 2009 draft budget. This study concluded that expertise was more influential on the budget deliberation than formality or authority. In addition, it conducted a regression analysis of factors found in stenographic records, and argued that compromise, professionalism, and representativeness had strong impact on the budget decision making. It also argued that partisanship and solidarity were significant, but their impacts were not large.

Kim, Tae-jin (2013) analyzed the factors which affected the budget deliberation process of the 17<sup>th</sup> and 18<sup>th</sup> National Assembly, focusing on supporting organizations including the National Assembly Budget Office, staffs of the standing committees and the Special Committee on Budget and Accounts. The results of this study showed that the greater the share of the ruling party and the remaining terms of the president, the higher the possibility of budget increase.

## **2.2. New institutionalism and institutional change**

The purpose of this study is to analyze the impact of the introduction of BAIS, a significant institutional change in the parliamentary budget process, on the budget deliberation of the National Assembly from various perspectives. In this regard, this chapter would examine the theoretical background of the concept of the institution and institutional change, focusing on the new



institutionalism, and review precedent studies related to the impact of the introduction of BAIS.

### **2.2.1. Overview of new institutionalism**

A school of thought setting up “institutions” as the central concept in describing political, economic and social phenomena is collectively called “new institutionalism”. New institutionalism emphasizes the importance of “context” in explaining politics, economics and social phenomena, and this context means institutions. Institutions are structural constraints that affect individual behavior. Human actions under the influence of institutions have stability and regularity. If institutions exist, individual actions or interactions between individuals are not random but show a certain pattern and predictability. New institutionalism can be divided into three branches: historical institutionalism, rational choice institutionalism, and sociological institutionalism. Three branches take different positions on understanding of individual behavior and power relations, and the process of institutional formation (Ha, Yeon-seob, 2011).

Historical institutionalism mainly focuses on the formal aspects of the institution, and regards that institutions have a significant impact not only on the formation of actors' strategies, but also on the development of actors' preferences. The definition of 'the institution' in historical institutionalism generally includes all institutions that influence the definition of the interests of the actors and structure the power relations between them (Thelen and Steinmo, 1992). Historical institutionalism emphasizes that the shape of the institution varies depending on how the power relationship between members of the society takes shape, and the power relationship between groups changes according to the formation and operation patterns of specific institutions. In explaining the process of institutional formation and change, it emphasizes the coincidence and path dependency of history. Historical institutionalism puts stress on the combination of complex

and diverse factors in explaining causality, and emphasizes that causality between variables is always formed in context. In addition, it argues the combinations of the same variables can produce completely different results depending on the historical time point and the situation where these variables are combined. It puts emphasis on the external shock as a cause of institutional change.

Rational choice institutionalism is based on the collective action dilemma in which each individual is rational and seeks self-interest, but the combined rationality of each individual at collective level can produce irrational results. The institution of rational choice institutionalism plays a role in resolving this dilemma. According to Shepsle (1989), institutions are proactive commitments between actors to facilitate mutual cooperation and maintain the agreement. The conscious design of institutions is a key concept of rational choice institutionalism.

Rational choice institutionalism emphasizes equilibrium in that there is no incentive to change the individual's interaction pattern after solving the collective action dilemma. It puts stress on the role of the institution to maintain this equilibrium. Rational choice institutionalism focuses on each individual's strategic choices in explaining institutional and equilibrium changes. Institutions can be changed only if each individual's benefit from the institutional change is greater than the cost, especially transaction costs (Weingast, 1996).

According to sociological institutionalism, institutional form or procedure of a modern organization is introduced not because it is best suited for the efficient task performance, but because such an organizational form is the most appropriate under the existing cultural environment, which can increase external legitimacy (DiMaggio & Powell, 1991; Meyer & Rowan, 1977). Sociological institutionalism focuses on informal aspects such as norms, cultures, symbolic systems, and meanings, especially on taken-for-granted beliefs and cognitive schemas, rather than the formal aspects of institutions. Institutional change is understood as a process to resemble a structure and function that are recognized as socially

appropriate and justified.

### **2.2.2. Cause and effect of institutional change**

Historical institutionalism has emphasized external shocks such as war or panic as the cause of institutional change. It assumes that institutional change does not occur continuously and gradually, but rather very sharply and episodically. Also, historical institutionalism, unlike rational choice institutionalism, acknowledges the complexity of reality rather than intentionality in explaining institutional formation and change. In other words, even if an institution is formed or changed for the purpose of maintaining inequality in power relations, there is no guarantee that the institution is formed and changed as originally intended. Even though the institution has the intended shape, it can produce unintended consequences.

Rational choice institutionalism explains that the main agent of institutional change is an individual, and such individuals change the institution when they judge that the benefits from the institutional change are greater than its costs. Therefore, in rational choice institutionalism, the process of institutional change is a conscious process. Unless the external environment changes, there is no reason for the parties engaged in the exchange to change the rules. However, the external environmental change can make the parties to try to change the rules because benefits that obtained under the current rules can change. If the additional benefit of establishing another rule is greater than its cost, the parties engaged in the transaction establish a new rule, which means institutional change (Knight, 2001). Knight (1992) noted the uncertainty surrounding institutional design and change, and emphasized unintended consequences. It is impossible to accurately predict the ultimate consequence of the institution in the phase of designing or trying to change it because the institution presents a new aspect while interacting with existing institutions and other social factors constantly. Due to this uncertainty and limited knowledge, each individual's ideology or belief plays a very important role in

designing or changing institutions. It is quite uncertain what outcome the chosen institution will produce over the long term, and in some cases one's belief that a particular institution will bring him/her benefits may turn out to be wrong.

In sociological institutionalism, if a new norm of behavior or organizational form emerges and gains legitimacy, the institution changes in the process of accepting this norm or organizational form. For this reason, the sociological institutionalism argues that the process of institutional change is not a process of conflict based on actors' interests, but a process of spreading new patterns of behaviors or organizations. Therefore, the process of institutional change appears as a process of isomorphism, imitation, and convergence. Once formed, the institution has the property to strengthen and maintain itself, inertia, even if there is no constant effort to justify and maintain it. De-institutionalization of this institution is caused by three factors: functional, political and social pressure (Oliver, 1992).

According to sociological institutionalism, it is difficult for the newly designed institution to make intended consequences if it disaccords with the existing normative order, i.e. the informal institution (Cortell & Petersen, 2001). The informal and the formal institution do not change at the same time because the informal institution has a property that does not change easily. In particular, it is quite difficult for a change in the formal institution to make intended consequences when the informal and the formal institution conflict.

### **2.2.3. New institutionalism and the introduction of BAIS**

BAIS was introduced with the agreement between the main actors of the budget deliberation, the ruling party, Saenuri Party and the opposition party, Democratic Party. Unlike historical institutionalism which emphasizes the power-oriented and accidental properties of institutional change, the introduction of

BAIS can be understood as what each party voluntarily and consciously changed the rules of the game to avoid losing people's trust in the National Assembly and maximize the political interest of each party as the rational choice institutionalism explains. However, the external pressure should also be considered as an important cause of the introduction of BAIS. Social institutionalism explains that institutional change occurs when serious questions are raised about the effectiveness and legitimacy of institutionalized practices (political pressure). The severe violence that occurred in the budget deliberation process in 2010 had exceeded people's patience, and provoked strong external pressures calling for the fundamental change in the budget deliberation practices, which lead to the introduction of BAIS. In other words, the introduction of BAIS is not only the response to external political pressures triggered by the violence in 2010, but also an intentionally designed institutional change to prevent co-destruction from the loss of people's trust in political system, under the beliefs that it would provide benefits to each party.

However, as the recent theories of new institutionalism suggest, the results of the institutional change may differ from the intended results. Even if the intentional and strategic aspects of human behavior are acknowledged, these intentions and strategies still only have meaning in the institutional context, and the institution is formed and deepened in unequal power relations. In addition, because the system is designed and changed by the interactions and conflicts between various intentions, the results of the institutional change produce not only intentional results but also unintended ones. Moreover, since the institution is not created in a vacuum, but is designed and changed in the existing institutional framework, the extent to which human intention can affect is limited (Ha, Yeon-seop, 2011)

The introduction of BAIS was designed to abide by the constitutional deadline of the budget passage and encourage the parties to reach consensus on the budget by November 30, the deadline for the comprehensive deliberation. However, the theories

of institutional change imply that the introduction of BAIS may have different results from the originally intended consequences due to the influence of existing budget deliberation practices and institutions, and changes in power relations between parties and government.

## **2.2.4. Precedent studies on the impact of changes in the budget institutions of the National Assembly and the introduction of BAIS**

### **2.2.4.1. Introduction of precedent studies**

Several studies have examined empirically the impact of changes in the budget institutions of the National Assembly, such as making the Special Committee on Budget and Accounts operate year-round or the establishment of National Assembly Budget Office on budget deliberation.

Kim Nan-young & Kim Sang-hun (2007) conducted empirical study of the effect of making the Special Committee on Budget and Accounts operate year-round in 2000. The reform was expected to make the budget deliberation more faithful and to strengthen the control of the budget by the National Assembly. However, the result of the study suggests that the reform has no effect or a negative effect on the total revision rate, the net revision rate and the number of days overdue after the legal budget deadline. The study concluded that the reform did not work out as expected.

Kim Sang-hun & Lee Ki-young (2011) investigated whether the establishment of the National Assembly Budget Office tended to increase or decrease the amount of budget in the budget deliberation process. The result of the study was that the degree of revision to the budget by the National Assembly was not significant even after the establishment of the National Assembly Budget Office. The study concluded the past practices of poor budget deliberation have continued even after the establishment of it.

Jung Jong-Sun (2016) pointed out that the research of Kim

Sang-Hun and Lee Ki-Young (2011) had a limitation that it was conducted without controlling other factors except for the establishment of the National Assembly Budget Office that could affect the budget revision ratio of the National Assembly. The study analyzed the effects of establishing the National Assembly Budget Office on the budget deliberation controlling other factors that could affect the revision rate of the draft budget. The result of the study was that the establishment of the National Assembly Budget Office has the expected effect of reinforcing the budget deliberation of the National Assembly.

There have been several articles that discussed the influence of the introduction of BAIS on the budget deliberation of the National Assembly. Most of the precedent studies argued that the introduction of BAIS would further weaken the feeble power of the National Assembly on the budget deliberation.

Park, Gyeong-cheol (2012) evaluated BAIS as a system favorable to the ruling party in that it can enhance the efficiency of the budget deliberation and prevent the opposition party from using the draft budget as the negotiation tool. Kim Jin-young (2014) pointed out that BAIS can cause poor budget deliberation of National Assembly due to the shortened period of deliberation. Jeon Jin-young (2015) discussed that BAIS weakened the control power on public finance of National Assembly and handed over the initiative of the budget deliberation process to the government.

On the other hand, Jeong Jin-woong (2018) pointed out that the effectiveness of BAIS can vary depending on the distribution of seats in the National Assembly, and in some cases, the impact of the introduction of BAIS may not be meaningful. If the ruling party has a majority, BAIS is a favorable system for the government and the ruling party, but in the case of the divided government where the ruling party has not secured a majority seat, the study evaluated that BAIS is not favorable to the government and ruling party because they have to reach an agreement with the opposition party to pass the draft budget at the plenary session.

Recently, Na, Chae-sik (2019) analyzed the changes in the

absolute value of the net revision ratio after the introduction of BAIS, and concluded that there was a statistically significant decrease in the absolute value of the net revision ratio. In addition, the study conducted a qualitative analysis through in-depth interviews with the National Assembly staffs of the committees, the representatives' staffs and government budget officials to find out the impact of the introduction of BAIS. The result of the interview found that BAIS had the effect of weakening the government's responsiveness to the National Assembly and National Assembly's negotiating power to the government as the practice has been established to comply with the statutory deadline.

## **2.2.4.2. Differentiation from precedent studies**

Park, Kyung-cheol (2012), Kim, Jin-young (2014), and Jeon, Jin-young (2014) presented meaningful predictions based on existing political culture and practices on the influence of the introduction of BAIS, but these studies did not provide any empirical evidence to support their arguments. This study is different from the studies mentioned above in that it analyzed the effects of BAIS based on various empirical data including budget deliberation data of the Special Committee on the Budget and Accounts and the plenary session.

Jeong Jin-woong (2018) had limitations in that its analysis periods were limited to just three years from 2014 to 2016, and it focused only on whether the statutory deadline of budget passage was followed when it analyzed the impact of introduction of BAIS. On the other hand, this study expanded the scope of analysis to ten years from 2009 to 2018, and analyzed the effects of BAIS in various aspects, including the budget deliberation power of the National Assembly, the budget deliberation period, the number of meetings, and the impact on the functions of the Special Committee on the Budget and Accounts.

Na, Chae-sik (2019) analyzed the impact of the introduction of BAIS on the net revision rate of the draft budget under the



jurisdiction of each standing committee through statistical techniques, but the scope of the budget to be analyzed was limited to general and special accounts, while this study would identify the changes in the budget more comprehensively using the concept of Total Spending which includes not only general and special accounts but also national funds. In addition, while Na, Chae-sik (2019) analyzed changes in the net revision rate which means the ratio of the difference between the draft budget and the final budget passed by the National Assembly to the draft budget as a dependent variable, this study would identify changes in the ability of the National Assembly to change the spending priority in the draft budget by using the total revision rate which means the ratio of the absolute figure of the sum of reduced and increased amounts in the budget deliberation to the draft budget.

## **Chapter 3. Research design and Research Method**

### **3.1. Research Questions**

The purpose of this research is to determine the influence of BAIS on the power of the National Assembly to revise the draft budget and on the practice of budget deliberations. In this regard, this research would develop four research questions.

First, to figure out the impact of BAIS on the budget deliberation power of the National Assembly this research develops a research question as follows:

Research Question 1: Does BAIS weaken the authority of the National Assembly to revise the draft budget?

As mentioned above, since 2014 the government and ruling party can allay their concern about the provisional budget thanks to BAIS which breaks the impasse over the draft budget in the Special Committee on Budget and Accounts. This consequently gives an advantage to the government and ruling party in the negotiation on budget deliberation while reducing the bargaining power of the opposition party. Since the ruling party can reflect its budget demand in the draft budget of the government, the opposition party usually takes the lead in the revision of the draft budget during the budget deliberation. Therefore, weakened bargaining power of the opposition party could lead to a decline in the authority of the National Assembly to revise the draft budget.

Jeon Jin-Young (2015) discussed that BAIS weakened the control power on public finance by the National Assembly and handed over the initiative of the budget process to the government. Park, Kyung Chul (2012) evaluated BAIS as a favorable system to the ruling party in that it can enhance the efficiency of the budget deliberation and prevent the opposition party from using the draft budget as a negotiation tool.

Next, to find out the impact of BAIS on the practices of the budget deliberation of the National Assembly this research raises three research questions as follows;

Research Question 2: Does BAIS hasten the passage of the draft budget?

Before BAIS, the draft budget was usually passed at the end of the year, due to the delaying strategy of the opposition party in the Special Committee on Budget and Accounts, as a means to enhance its bargaining power. However, BAIS, which obligates the draft budget to immediately refer to the plenary session on December 1<sup>st</sup> when the Special Committee on Budget and Accounts does not complete the review by November 30, could hasten the passage of the budget by preventing the delaying strategy of the opposition party and breaking the impasse in the Special Committee on Budget and Accounts.

Research Question 3: Does BAIS reduce the period of the budget deliberation and the number of meetings for the budget deliberation?

Hastening the passage of the draft budget by BAIS could reduce the period of the budget deliberation and the number of meetings for the budget deliberation, which could lead to poor budget deliberation. A decrease in time spent on the budget will cause a less intensive review of key budget items, resulting in a worse budget than if adequate time had been given.

Research Question 4: Did BAIS incapacitate the function of the Special Committee on Budget and Accounts?

BAIS can act as a mechanism to promote compromise in the Special Committee on Budget and Accounts, or to hinder it. The opposition party, afraid of the situation that its budget needs are not reflected in the final budget at all, may actively pursue a compromise with the ruling party before December 1<sup>st</sup> when BAIS

is in effect. On the other hand, the ruling party and government in no hurry may attempt to skip the comprehensive deliberation and finalize the budget in the plenary session. In this case, they would negotiate passively with the opposition party in the comprehensive deliberation process and just kill time by November 30, which means the incapacitation of the Special Committee on Budget and Accounts, and the transfer of the budget decision power to the plenary session and a small number of party leaders. Jeon Jin-young (2015) anticipated that the introduction of BAIS would incapacitate the budget deliberation power of the Special Committee on Budget and Accounts.

The transfer of budget decision power from the Special Committee on Budget and Accounts to the plenary session may bring about a substantial effect beyond simply changing the decision maker. Because most of the draft budgets are finalized at the plenary session as confirmed by the Special Committee on Budget and Accounts, the committee had played the most important role in the budget deliberation process (Kim, Nan-young and Kim Sang-hun, 2007). If the Special Committee on Budget and Accounts loses the power to finalize the budget after the implementation of BAIS, the influence of the members of the committee on the budget deliberation would be reduced, but the influence of the party leadership would increase (Yoo Seh-hwan, 2013). In this case, the expertise and experience of the committee members accumulated during the comprehensive deliberation period can be ignored. In addition, the budget's political characteristic as a bargaining tool to resolve other political issues would be strengthened and the transparency of the budget deliberation would reduce as the budget decision power was transferred to the hands of a few political leaders with low expertise.

This is because the negotiation process between the party leaders at the plenary session is thoroughly conducted in behind closed doors and produce no record while all meetings of the Special Committee on Budget and Accounts produce stenographic records and release them to the public. Low

transparency can degrade the legislator's accountability to the general public and deepen Principal-Agent problem. The rationality of budget decisions would be hindered if logrolling and political settlement take precedence over public interests when legislators allocate budget resources (Yoo, Seh-hwan, 2013). Moreover, the initiative of the government in the budget deliberation process can be reinforced because the government have only to deal with a small number of party leaders rather than fifty of the committee members. In this regard, whether the budget decision power of the Special Committee on Budget and Accounts was transferred to a few political party leaders after the introduction of BAIS can have a substantial impact on the rationality and transparency of the budget deliberation of the National Assembly.

## **3.2. Methods**

In this research the factor that caused institutional change is the implementation of BAIS. According to the supplementary provision of the revised National Assembly Act in 2012, BAIS was implemented on May 30, 2014. Therefore, BAIS has been applied from the budget deliberation in 2014.

### **3.2.1. Measuring results of institutional change**

#### **3.2.1.1. The change in the authority of the National Assembly to revise the draft budget**

Kim Nan-young and Kim Sang-hun (2007), Kim Sang-hun and Lee Ki-young (2011), and Jung Jong-sun (2016) have used the revisions in “the general accounts or the special accounts” as indicators to estimate the changes in the influence of the National Assembly on the budget deliberation. However, the revisions in the general accounts or the special accounts have limitations because inter-account transaction expenditures and internal transfers between accounts and funds are included, but the expenditure of

national funds, which are major financial resources of the government is left out.

On the other hand, Total Spending, which includes both the budget and the funds is calculated by subtracting inter-account transaction expenditures, inter-fund transaction expenditures, expenditures from internal transfers between accounts and funds, and expenditures for financing from each account and fund from the sum of the general account, special accounts, and funds (Ministry of Strategy and Finance of the Republic of Korea, 2014). Therefore, Total Spending best explains the actual financial activities of the central government on the national economy. In this regard, this study would estimate the degree of the authority of the National Assembly to revise the draft budget based on Total Spending.

The National Assembly can revise the draft budget in two ways. First, it can increase or decrease overall spending. Second, it can alter spending priorities by shifting spending from some items to other items in the budget. To capture these two different types of power of the National Assembly to revise the draft budget, two indicators can be used (Mayer & Naka, 1998):

The net revision rate = (The finalized budget – The draft budget) / The draft budget

The total revision rate = (| $\sum$ Decreased amount| +  $\sum$ Increased amount) / The draft budget

First, “the net revision rate” (NRR) means the ratio of the difference between the draft budget and the final budget passed by the National Assembly to the draft budget, which demonstrates the ability of the National Assembly to increase or reduce overall spending. Second, “the total revision rate” (TRR) means the ratio of the absolute figure of the sum of reduced and increased amounts in the budget deliberation to the draft budget, which demonstrates the ability of the National Assembly to change the spending priority in the draft budget. In TRR, the absolute values of budget-item-spending changes are summed; decreases in spending do not offset

increases in spending (Mayer & Naka, 1998).<sup>8</sup>

According to Kim Sang-Hun and Lee Ki-Young (2011), the average NRR between 1982 and 2010 was only  $-0.49\%$ , which shows that the National Assembly has little ability to increase or reduce overall spending. The National Assembly usually has increased spending within the extent that it has cut because article 57 of the Korean Constitution restricts the National Assembly from increasing spending or from creating a new budget item without the consent of the government. Due to the restriction from the Constitution, the budget deliberation of the National Assembly has placed emphasis on changing the spending priority in the draft budget rather than changing the overall size of expenditure. In this regard, this research will use TRR as an indicator to capture “the degree of the authority of the National Assembly to revise the draft budget”.

However, TRR, calculated by simply adding all increased and reduced amounts together, also has a limitation because some reductions and increases are not actually made by the National Assembly, or related to changing spending priority. Several budget programs are reduced on a large scale almost every year: (1) the Government Bond Interest Payment, (2) the Reserve Fund of the General Account, and (3) the Direct Payment for Rice Income Compensation<sup>9</sup>. For the last ten years (2009~2018), the annual average reduction in these three programs was 1.8 trillion Korean Won (KRW), which accounts for 41.5% of the total budget reduction.

The budget of these three programs has been excessively drawn up on purpose by the Ministry of Strategy and Finance (MOSF) to make a “buffer” to meet the demand of the National

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<sup>8</sup> For example, suppose that the National Assembly increases spending on the draft budget item by 100,000 Korean Won (KRW) and decreased spending on another draft budget item by 100,000 KRW. The net revision is measured as 0, but the total revision is measured as 200,000 KRW. This change of 200,000 KRW reflects the amount by which the National Assembly altered the budget priorities of the draft budget.

<sup>9</sup> The Direct Payment for Rice Income Compensation is provided directly to farms to guarantee income and stabilize business of rice farms.

Assembly for the budget increase while other programs remain intact. It is reasonable to exclude the reductions of these three programs in the calculation of TRRs, since these reductions “provided by MOSF” are not actually made by the National Assembly.

<Table 3-1> Yearly reduced budget programs

(Unit: Million KRW, %)

Year	Reduction in the Government Bond Interest Payment (A)	Reduction in the Reserve Fund of the General Account (B)	Reduction in the Direct Payment for Rice Income Compensation (C)	Sum of reductions in three programs (D=A+B+C)	The total budget reduction (E)	Ratio (D/E)
2009	1,067,860	200,000	0	1,267,860	3,204,335	39.6
2010	800,547	100,000	108,600	1,009,147	2,571,787	39.2
2011	1,268,500	400,000	400,000	2,068,500	3,949,337	52.4
2012	1,604,837	600,000	300,000	2,504,837	4,910,323	51.0
2013	1,461,274	1,798,900	85,000	3,345,174	5,404,577	61.9
2014	1,460,186	500,000	151,217	2,111,403	4,919,212	42.9
2015	1,683,497	500,000	0	2,183,497	3,828,058	57.0
2016	691,221	500,000	0	1,191,221	5,567,523	21.4
2017	699,988	0	410,000	1,109,988	4,325,139	25.7
2018	900,233	0	324,200	1,224,433	5,224,760	23.4
Average	1,163,814	459,890	177,902	<b>1,801,606</b>	4,390,505	<b>41.5</b>

In addition, there are some budget transfers between ministries



without making any change in the size or plan of the program. For example, in 2014, the housing benefit budget of 1 trillion KRW under the jurisdiction of the Ministry of Land and Transportation was transferred to the Ministry of Health and Welfare. In this case, it was shown that the National Assembly revised 2 trillion KRW (reduction of 1 trillion KRW + increase of 1 trillion KRW) although the National Assembly did not make any change in spending priority. Therefore, it is appropriate to exclude simple budget transfers in the calculation of TRRs to accurately indicate the ability of the National Assembly to change the spending priority in the draft budget. To sum up, this research project will exclude reductions in the three programs mentioned above, and simple budget transfers that do not change budget priority when calculating TRRs.

#### **3.2.1.2. Change in the passage date of the draft budget in the plenary session**

To capture the degree of hastening the passage of the draft budget in the plenary session, this research would use “the passage gap” calculated by subtracting the legal deadline (December 2nd) from the date when the draft budget was actually passed as the indicator. For example, if the draft budget was passed on December 2, the value of the indicator is 0 and if the draft budget was passed on December 31, the value of the indicator is 29. The lower the number, the faster the draft budget was passed. Each year’s date of the passage of the draft budget in the plenary session can be found in Bill Information System of the National Assembly (<http://likms.assembly.go.kr>).

#### **3.2.1.3. The period of the budget deliberation and the number of meetings for the budget deliberation**

This research would define each year’s period of the budget deliberation as the period from the date the draft budget was referred to the Special Committee on the Budget and Accounts to

the date of the budget decision of the Special Committee on the Budget and Accounts (If the draft budget was automatically introduced to the plenary session, automatically introduced date is used). Also, this research will define the number of meetings for the budget deliberation as the number of meetings for “the comprehensive deliberation” in the Special Committee on the Budget and Accounts including the comprehensive policy questioning session, the departmental evaluation and the meeting of the budget adjustment subcommittee.

The date the draft budget was referred to the Special Committee on the Budget and Accounts, its decision date, and the number of meetings of the Special Committee on the Budget and Accounts are described in the Manual of the Special Committee on the Budget and Accounts. The reason only Comprehensive Deliberation is considered in calculating the period of the budget deliberation and the number of meetings for the budget deliberation is that the extent and details of the changes to the draft budget are mostly decided in the comprehensive deliberation.

#### **3.2.1.4. Whether the budget decision power of the Special Committee on Budget and Accounts was incapacitated**

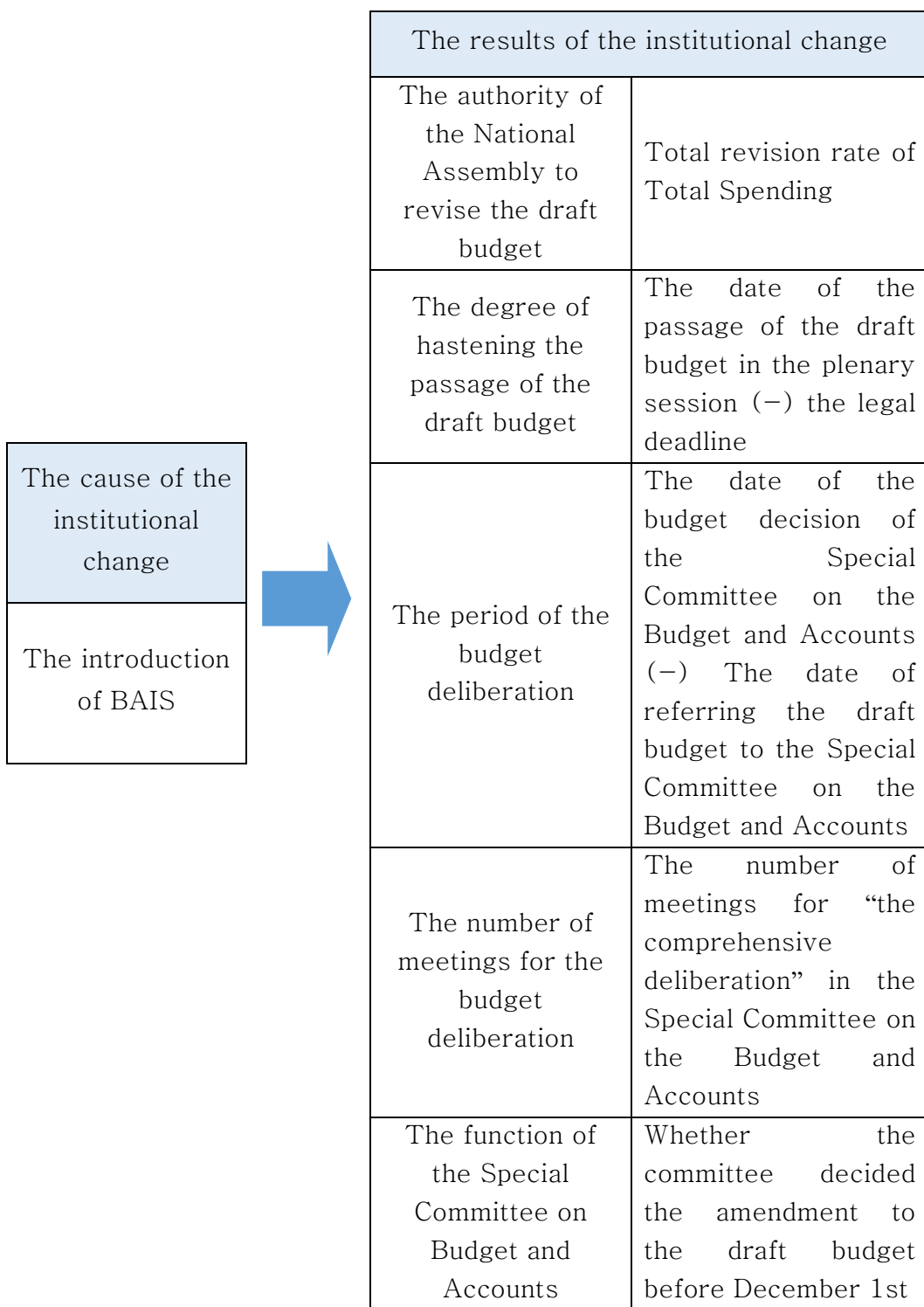
This study would determine whether the budget deliberation power of the Special Committee on Budget and Accounts has been incapacitated by the introduction of BAIS according to the following criteria;

“Did the committee decide the amendment to the draft budget before December 1st, or was the draft budget automatically introduced to the plenary session on December 1st without deciding the amendment to the draft budget in the committee?”

If BAIS acted as a mechanism to promote the compromise between the parties in the Special Committee on Budget and Accounts, the committee would determine the revised budget by November 30, and it would be evaluated that the committee

maintains its role of confirming the total amount and details of the budget in spite of BAIS. On the other hand, if the government and ruling party use the delaying strategy, the draft budget would be automatically introduced to the plenary session without any revisions and it would be evaluated that the function of the committee is incapacitated.

<Figure 3-1> The cause and the results of the institutional change



### 3.2.2. Collecting Data

This project research would use data from each year's: – deliberation reports of the Special Committee on the Budget and Accounts, budget amendments in the plenary session, Bill Information System of the National Assembly (<http://likms.assembly.go.kr>) and Manual of the Special Committee on the Budget and Accounts. The Deliberation Report of the Special Committee on the Budget and Accounts is a document produced by the committee to report its activities and the result of its budget deliberations to the plenary session after finishing its Comprehensive Deliberation. Since it contains the progress of the budget deliberation, the proposal of the government, the review on the draft budget conducted by the head expert member of the National Assembly, and the amendment to the draft budget, the details of the revision in Total Spending can be found in it.

However, when the draft budget is automatically introduced to the plenary session without the decision of the Special Committee on the Budget and Accounts, (like the 2014~2018 budget deliberation), the Deliberation Report of the Special Committee on the Budget and Accounts is not produced. In this case, an examination of “Budget Amendment in the Plenary Session” will be done to identify the details of the revision in Total Spending.

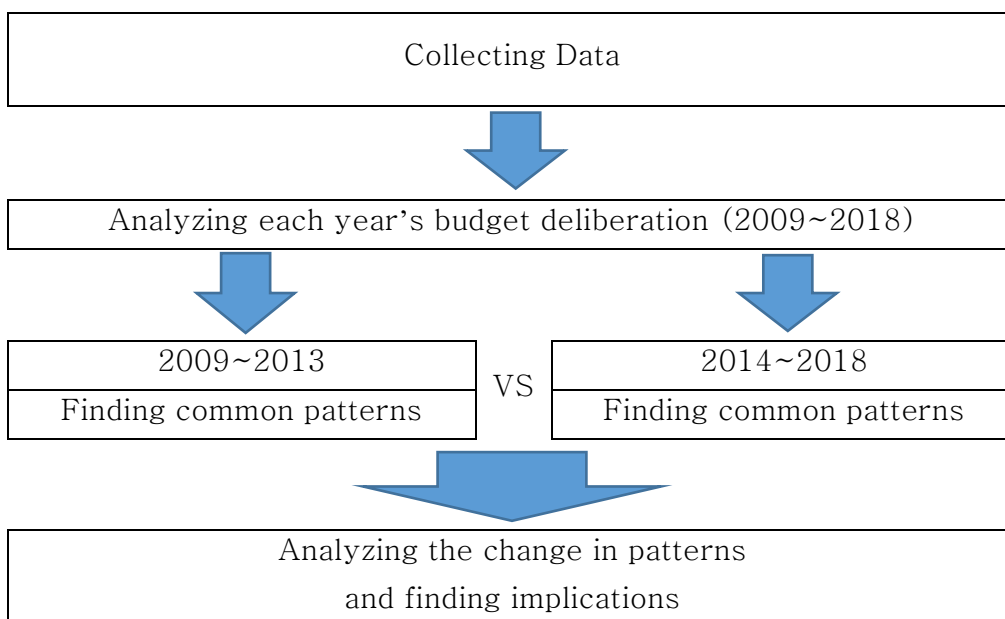
The date of passage of the draft budget in the plenary session and whether the draft budget was automatically introduced to the plenary session can be found in the Bill Information System of the National Assembly. The date of referring the draft budget to the Special Committee on the Budget and Accounts and its decision date, and the number of meetings of the Special Committee on the Budget and Accounts are described in the Manual of the Special Committee on the Budget and Accounts.

### 3.2.3. Procedure of Analysis

First, this research will collect and analyze each year's budget

deliberation data from 2009 to 2018. This research will find the common patterns of budget deliberations during 2009~2013 (before the implementation of BAIS) and those of budget deliberations during 2014~2018 (on and after BAIS). These patterns will be explained in terms of the results of institutional change and indicators mentioned above. Lastly, this research will analyze how and why common patterns of the budget deliberations during 2014~2018 change after the implementation of BAIS by comparing them with those from 2009 to 2013.

<Figure 3-2> Procedure of Analysis



### 3.2.4. Strengths and weaknesses of Analysis

The strength of this analysis is that it will examine the impact of BAIS on the budget deliberation of the National Assembly in various aspects. These include changes in TRR, the period of the budget deliberation, the number of meetings for the budget deliberation, and the passage date of the draft budget in the plenary session based on empirical data. Furthermore, this analysis method can accurately capture the ability of the National Assembly to

change the spending priority in the draft budget by excluding revisions that are not actually made by the National Assembly, or related to changing spending priority when calculating TRRs.

On the other hand, this research has a weakness in terms of internal validity. This research traces the change in TRR before and after the implementation of BAIS without controlling other factors that can affect TRR other than the implementation of BAIS, which can cause omitted variable bias. Because it has been only five years since BAIS was implemented, it is difficult to obtain sufficient time series data for multiple regression analysis.

## **Chapter 4. Result of the research**

### **4.1. The change in the authority of the National Assembly to revise the draft budget**

Observing TRR trends from 2009 to 2013 (Phase 1), before the implementation of BAIS, TRRs were placed between 1.2% and 2.1%. The annual average TRR of “Phase 1” was 1.7%.

The period from 2014 to 2017, after the implementation of BAIS, can be separated into two phases according to whether the ruling party has the majority. In “Phase 2” from 2014 to 2015 when the ruling party had the majority, TRR dropped to 1.3% indicating that the authority of the National Assembly to revise the draft budget had weakened provided that the ruling party has a majority. However, “Phase 3” from 2016 to 2018 when the ruling party failed to achieve majority seats, TRR has risen up to 2.4%. The average TRR of Phase 3 was 1.9%, which is 0.6%p higher than 1.3% of the Phase 2.

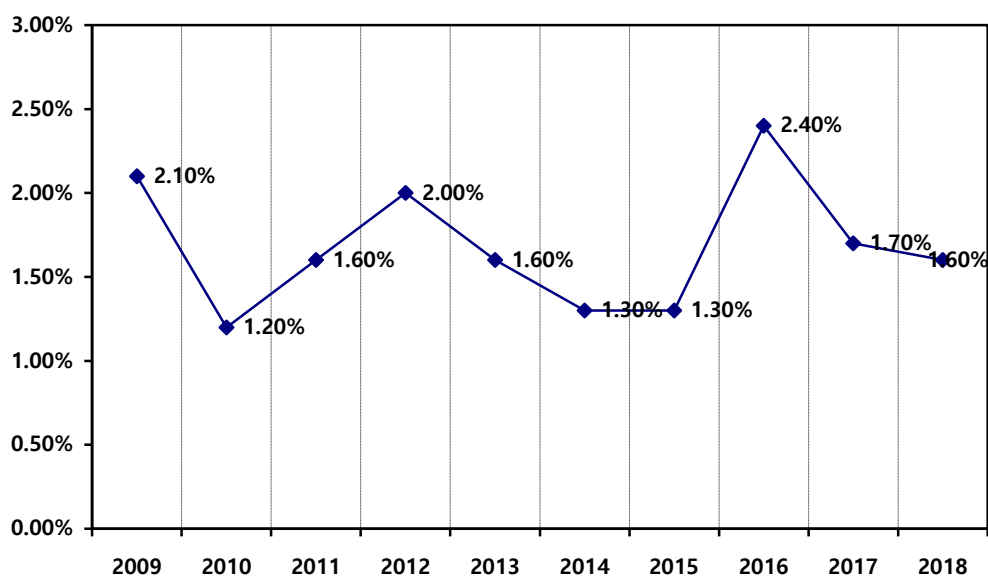


<Table 4-1> 2009~2018 each year's TRR

(Unit: Trillion KRW)

		Year	Total Reduction (A)	Total Increase (B)	Total Revision (C=A+B)	Total Spending of Draft Budget (D)	TRR (C/D)	Seat Proposition of the Ruling Party
Before BAIS (Phase 1)		2009	1.9	4.2	6.1	291.8	2.1%	57.5%
		2010	1.5	2.1	3.6	309.6	1.2%	57.6%
		2011	1.9	3.2	5.1	326.1	1.6%	57.3%
		2012	2.4	4.4	6.8	342.5	2.0%	51.5%
		2013	2.1	3.5	5.6	357.7	1.6%	51.7%
After BAIS	Phase 2	2014	1.6	3.2	4.8	376	1.3%	53.6%
		2015	1.7	3.5	5.2	386.7	1.3%	53.4%
	Phase 3	2016	4.4	5.4	9.8	400.7	2.4%	42.7%
		2017	3.2	4.2	7.4	429.0	1.7%	38.9%
		2018	3.4	4.3	7.7	470.5	1.6%	43.1%

<Figure 4-1> 2009~2018 the trend of TRR



The changes in TRR between Phases 2 and 3 after the implementation of BAIS can be attributed to changes in the seats of the ruling party. If the ruling party holds the majority seats as in 2014 and 2015, it can decide the budget alone in the plenary session without additional negotiation with the opposite party. This leads to the weaker the budgetary power of the National Assembly than before.

On the other hand, if the ruling party fails to secure a majority of seats as from 2016 to 2018, even if the draft budget is automatically introduced to the plenary session on December 1, the ruling party has to resume negotiations with the opposition party to pass the budget. In this case, BAIS cannot make a significant difference in the authority of the National Assembly to revise the draft budget since the budgetary demand of the opposition party should be reflected in the plenary session.

In conclusion, the authority of the National Assembly to revise the draft budget depends on the distribution of seats in the National Assembly. In other words, if the ruling party has a majority, as discussed by Jeon Jin-Young (2015), BAIS can weaken the power of the National Assembly over public finance. However, if the ruling party fails to win a majority, it can be concluded that BAIS merely changes the venue for negotiation from the Special Committee on Budget and Accounts to the plenary session.

Surely, other explanation may also be available for the higher TRRs in Phase 3 than those of Phase 2. 2014 and 2015 were the first half of the term of the President Park Geun-hye who took office in February 2013. She might have been able to make the National Assembly to pass the draft budget with little revisions using her powerful influence based on her high popularity. However, as she lost her power due to the impeachment in December 2016, the National Assembly might have been able to revise the draft budget on a large scale. In other words, the impact of the introduction of BAIS on the budget deliberation authority of the National Assembly may have been different depending on the

president's power in state affairs and the progress of his/her term of office.

But this hypothesis cannot explain the fact that TRRs (1.7% and 1.6%) in 2017 and 2018 were higher than those in Phase 2 (1.3%) despite the president Moon Jae-in took office in May 2017 with high approval ratings. If the impact of the introduction of BAIS on the budget deliberation authority of the National Assembly is different depending on the president's power in state affairs and the progress of his/her term of office, it is implausible that TRRs in 2017 and 2018, the first and the second year of the president Moon Jae-in's term, are higher than those in 2014 and 2015, the second and third year of the president Park Geun-hye's term.

The effect of the proportion of seats on the budget deliberation authority of the National Assembly after the introduction of BAIS needs to be further verified by using statistical analysis methods while controlling other factors that may affect the budget deliberation authority of the National Assembly.

## **4.2. Change in the passage date of the draft budget in the plenary session**

Looking at the passage date of the draft budget in the plenary session between 2009 and 2013, before the implementation of BAIS, the legal deadline is violated every year on a large scale. Especially, in 2012 and 2013, the draft budget was passed on the start date of the fiscal year (January 1st). Conversely, in 2014, the first year of the implementation of BIAS, the legal deadline was obeyed, and after 2015, the legal deadline has been violated again but the passage gaps were just from one to six days. This indicates a clear effect of BAIS on the advancement of the budget passage.

It should be noted, however, that the passage gap has slightly increased since the implementation of BAIS. If the ruling party fails to win a majority and the deadlock persists even after the draft budget is introduced to the plenary session, the delayed budget passage can recur as hitherto.

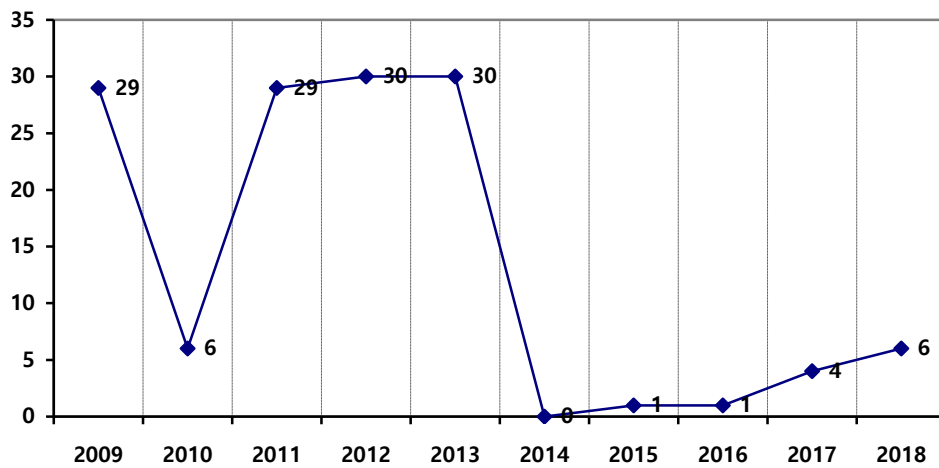
<Table 4-2> 2009~2018 Passage Gap

(Unit: Days)

	Year	The Legal Deadline (A)	Passage Date (B)	Passage Gap (B-A)
Before BAIS	2009	2009.12.2	2009.12.31	29
	2010	2010.12.2	2010.12.8	6
	2011	2011.12.2	2011.12.31	29
	2012	2012.12.2	2013.1.1	30
	2013	2013.12.2	2014.1.1	30
After BAIS	2014	2014.12.2	2014.12.2	0
	2015	2015.12.2	2015.12.3	1
	2016	2016.12.2	2016.12.3	1
	2017	2017.12.2	2017.12.6	4
	2018	2017.12.2	2018. 12. 8	6

<Figure 4-2> 2009~2018 The trend of Passage Gap

(Unit: Days)



### 4.3. The period of the budget deliberation and the number of meetings for the budget deliberation

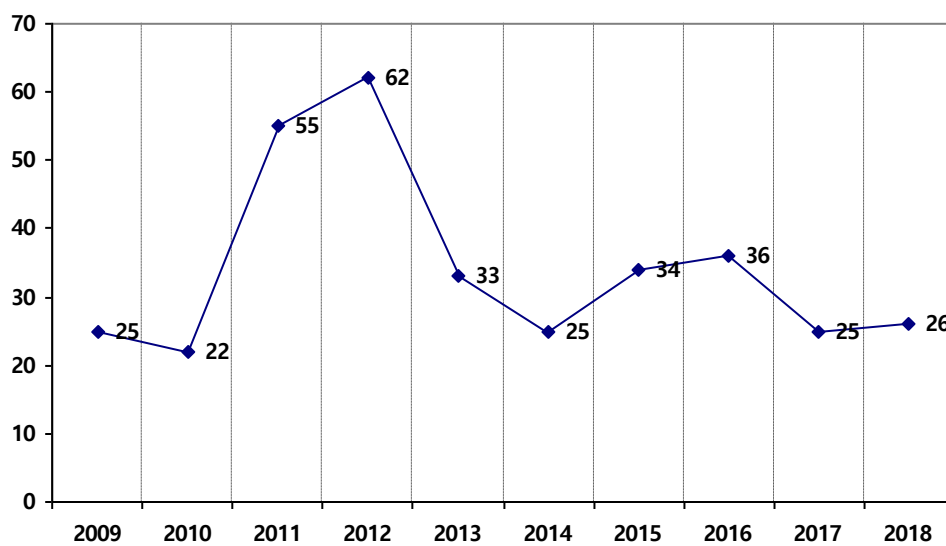
The annual average deliberation period from 2009 to 2013, before the implementation of BAIS, was 39.4 days. On the other hand, the period reduced to 29.2 days (−25.9%) on average after the implementation of BAIS as the comprehensive deliberation process was automatically terminated on November 30.

However, the average number of meetings of comprehensive deliberation after the implementation of BAIS (14.8) is slightly higher than the number before the implementation (14.2). The table below shows that the number of meetings of the comprehensive deliberation decreased somewhat in 2014 and 2015, but after 2016, the number of meetings has recovered to the pre-implementation level. This can be interpreted as an adaptation to the shortened deliberation period by advancing the start date of the comprehensive deliberation and shortening the time between meetings. As a consequence, empirical evidence does not seem to support the argument that BAIS causes poor budget deliberation of the National Assembly due to the shortened periods of deliberation.

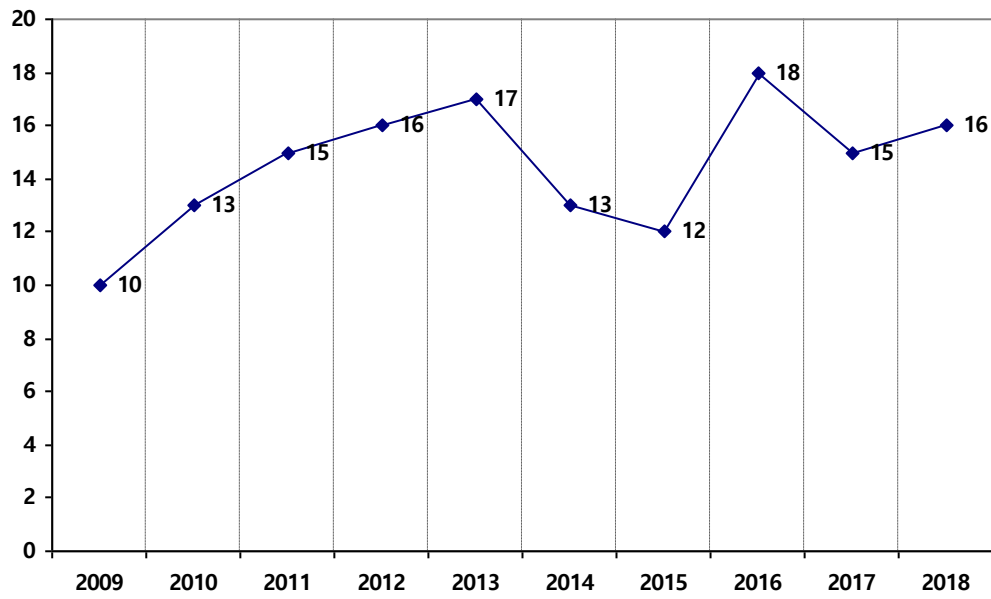
<Table 4-3> Budget deliberation period and the number of meetings

	Year	Introduction Date (A)	Decision Date (B)	Deliberation Period (B-A)	Number of Meetings
Before BIAS	2009	12.7	12.31	25	10
	2010	11.17	12.8	22	13
	2011	11.7	12.31	55	15
	2012	10.31	12.31	62	16
	2013	11.29	12.31	33	17
After BAIS	2014	11.6	11.30	25	13
	2015	10.28	11.30	34	12
	2016	10.26	11.30	36	18
	2017	11.6	11.30	25	15
	2018	11.5	11.30	26	16

<Figure 4-3> The trend of budget deliberation period  
(Unit: Days)



<Figure 4-4> The trend the number of meetings



#### 4.4. Whether the budget decision power of the Special Committee on Budget and Accounts was incapacitated

According to the results of the budget deliberation from 2009 to 2013, prior to the implementation of BIAS, every draft budgets were decided in the Special Committee on Budget and Accounts and passed in the plenary session as the committee decided. On the other hand, after BIAS was implemented in 2014, all draft budgets were not decided in the Special Committee on Budget and Accounts and introduced automatically to the plenary session. The draft budgets automatically introduced were revised in the plenary session. This result means that BIAS did not function at all as a mechanism to facilitate compromise between the ruling and opposition parties, and that the budget decision power of the Special Committee on Budget and Accounts was incapacitated after the implementation of BIAS. The implementation of BIAS is likely to have undermined the transparency and rationality of the budget deliberation as the draft budget has been subject to secret negotiations between a handful of party leaders and government at the plenary session.



〈Table 4-4〉 Whether the Special Committee on Budget and Accounts decided the draft budget

	Year	Whether the Special Committee on Budget and Accounts decided the draft budget
Before BAIS	2009	O
	2010	O
	2011	O
	2012	O
	2013	O
After BAIS	2014	X
	2015	X
	2016	X
	2017	X
	2018	X

## **Chapter 5. Concluding Remarks**

The results of this research can be summarized as follows: first, unlike the arguments of precedent studies that the implementation of BAIS will weaken the authority of the National Assembly to revise the budget, this research found that the effect of BAIS on the budgetary authority of the National Assembly may vary depending on the seat distribution. If the ruling party holds a majority, BAIS can weaken the budget deliberation authority. In contrast, if the ruling party fails to win a majority, BAIS does not have a significant effect on the power of the National Assembly to revise the budget.

Second, although the timing of the budget passage has drastically accelerated since the implementation of BAIS, the National Assembly is still violating the legal deadline.

Third, although BAIS has shortened the deliberation period, it does not seem to have caused a significant change in the number of meetings of the comprehensive deliberation. There is not enough empirical evidence to support the argument that shortening of the deliberation period due to BAIS causes poor budget deliberation.

Forth, this research identified that the function of the Special Committee on Budget and Accounts has been incapacitated since the implementation of BAIS, in that the decision power on the draft budget has been transferred from the Committee to the plenary session. As this research discussed earlier, this power transfer can bring about the deterioration in the transparency and rationality of the budget deliberation.

To sum up, BAIS can be evaluated to have a certain positive effect in that it has advanced the budget passage date. However, except for 2014, the first year of the implementation of BAIS, the legal deadline is continuously disobeyed, and the passage gap has gradually increased since the implementation of BAIS. In other words, although the BAIS has advanced the passage of the draft budget, it is still unable to make the National Assembly to meet the legal deadline. Furthermore, if the deadlock is sustained after the

draft budget is introduced to the plenary session, the budget passage may be delayed again to the end of the year as in the past. Thus, the positive effect of the introduction of BAIS is very limited, while its side effects seem to be significant.

In the case that the ruling party can secure a majority of seats in 2014 and 2015, as the incentive of the ruling party to respect the opposite party's opinions had been reduced, the budget deliberation authority of the National Assembly and its function to check the executive branch in terms of the public finance had been weakened. When the ruling party failed to hold a majority of seats, as in 2016, 2017 and 2018, BAIS did not seem to have much impact on the budget deliberation authority of the National Assembly, but it caused some side effects that have hampered the transparency and rationality of the budget deliberation as it incapacitated the function of the Special Committee on Budget and Accounts and made the draft budget to be determined through informal, closed-door negotiations.

In order to mitigate the negative impact of BIAS, it is necessary for each party to comply with the constitutional deadline, and establish additional institutional mechanism to strengthen the reflection of the minority parties' opinions in the budget deliberation process. In addition, it is necessary to discuss means to ensure transparency and rationality in the budget deliberation when the draft budget is automatically referred to the plenary session, such as forming an extra official conference organization for deliberation and negotiation between party leaders in the stage of the plenary session.

In the long run, abolishing BAIS and the constitutional restriction that keeps the National Assembly from increasing spending or creating a new budget item without the consent of the government are worth considering to strengthen the power of the National Assembly over public finance and ensure checks and balances between legislative and executive branches.

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## 국문초록

# “예산안의 본회의 자동부의제”의 도입이 국회예산심사에 미친 영향

서정덕

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글로벌행정전공

2012년 국회에서의 물리적 충돌을 방지하고 정당간의 협치와 타협을 촉진하기 위하여 지난 2012년 국회법이 개정(이른바 “국회선진화법”)되었음. 2012년의 국회법 개정사항 중 국회의 예산안 심사와 관련된 가장 중요한 개정사항은 “예산안 자동부의제(BAIS)”의 도입이었음. BAIS 시행 이전(2013년 이전)에는 예결위의 예산안 종합심사가 연도말까지 지속되는 사례가 잦았으며, 이는 예산안 심사를 12월 2일까지 마치도록 하고 있는 헌법 제54조제2항을 위배하는 것이었음. 이러한 헌법 위반문제를 해소하기 위하여 BAIS는 예결위가 11월 30일까지 예산안 심사를 마치지 않는 경우 12월 1일에 예산안이 자동으로 본회의로 부의되도록 하였음.

BAIS의 도입은 야당의 협상력을 저하시킴으로써 국회의 예산안심사권을 약화시킬 것으로 예상되어왔음. 2014년 이후로 정부와 여당은 BAIS 도입으로 인해 더 이상 준예산 편성 가능성을 우려할 필요가 적어졌고, 이는 예산안 협상과정에서 정부와 야당에 유리하게 작용할 수 있다는 것임.

이 연구는 2009년부터 2018년간 예결위 예산안 심사보고서와 본회의 예산안 수정안 등의 실증자료를 바탕으로 하여 BAIS가 국회의 예산수정권한과 예산안 심사행태(예산안 통과시점, 예산안 심사의 충실도 및 예결위의 기능)를 어떻게 변화시켰는지 분석하였음.

연구결과 BAIS는 예산안통과시점을 상당히 앞당기기는 하였으나,

BAIS 도입이후에도 국회는 여전히 법정기한을 준수하지 못하고 있는 것으로 나타남. 자동부의 이후 본회의에서의 교착상태가 지속되는 경우에는 BAIS 도입 이전과 같이 예산안 통과가 연말까지 지연될 가능성도 배제하기 어려울 것으로 보임. 이처럼 BAIS 도입에 따른 긍정적인 효과는 상당히 제한적인 반면 그에 따른 부작용은 결코 적지 않은 것으로 판단됨.

2014년과 2015년과 같이 여당이 단독으로 과반의석을 확보할 수 있는 경우에는 여당이 야당의 의견을 존중할 유인이 약화됨에 따라 국회의 예산수정권한이 대폭 축소되고 국가재정과 관련된 국회의 행정부에 대한 견제기능이 무력화되는 문제가 있음. 2016년에서 2018년과 같이 여당이 과반의석을 점유하지 못하는 경우에는 BAIS가 국회의 예산수정권한에 큰 영향을 미치지 못한 것으로 보이나, 예결위의 기능이 무력화되고 비공식적인 밀실 협상을 통해 예산안이 결정되도록 함에 따라 예산안 심사의 투명성과 합리성이 저해될 우려가 높은 것으로 보임.

BIAS 도입에 따른 부정적인 영향을 완화하기 위해서는 각 정당이 헌법상 법정기한을 준수하기 위하여 노력할 필요가 있으며 예산안 심사과정에서 소수정당의 의견 반영을 강화하기 위한 추가적인 제도적 장치를 마련할 필요가 있음. 또한, 예산안이 본회의에 부의되는 경우에도 정당지도부간의 추가적인 심사와 협상과정을 별도의 공식 회의체를 통해 진행하도록 하는 등 자동부의시 예산안 심사의 투명성 확보 방안을 강구할 필요가 있음. 국회의 예산안 심사권한을 강화하고 국가재정과 관련된 의회와 행정부간의 견제와 균형을 확보하기 위해서는 장기적으로 BAIS와 헌법상 증액동의권을 폐지하는 방안도 검토할 만 할 것으로 보임.